

Message Text

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SUBJECT: POSSIBLE CANADIAN DEFENSE REDUCTIONS

1. DURING MEETING OF U.S.-CANADIAN PERMANENT JOINT BOARD ON DEFENSE , OCT. 22-25, CANADIAN CHAIRMAN SENATOR JOHN AIRD MADE FOLLOWING STATEMENT REGARDING PRESENT GOC REVIEW (SEE OTTAWA 3417) OF INFLATION IMPACT ON CANADIAN DEFENSE ESTABLISHMENT:

QUOTE MR. CHAIRMAN, SINCE OUR LAST MEETING WE HAVE ALSO BEEN GIVING SERIOUS CONSIDERATION TO THE DIFFICULT PROBLEM WHICH IS ONLY TOO WELL KNOWN BY YOUR OWN MILITARY AUTHORITIES AS WELL AS OURS IN THESE TIMES OF SERIOUS INTERNATIONAL INFLATION; NAMELY, HOW TO COPE WITH RISING COSTS IN ALL CATEGORIES OF DEFENSE EXPENDITURE AT A TIME WHEN ONE OF THE COMMONLY-USED MEANS TO COMBAT INFLATION IS TO CURB INCREASES IN GOVERNMENT SPENDING. RECENTLY, THE CANADIAN AUTHORITIES HAVE BEEN TAKING A SEARCHING LOOK AT THE PROBLEMS WHICH INFLATION HAS CAUSED FOR OUR DEFENSE PROGRAM. THESE PROBLEMS ARE ALL THE MORE KEENLY FELT BECAUSE, ONLY
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LAST YEAR, THE DEPARTMENT OF NATIONAL DEFENSE HAD SUCCEEDED

IN GETTING GOVERNMENTAL APPROVAL FOR A FINANCING FORMULA WHICH WAS SUPPOSED TO INTRODUCE AN ELEMENT OF FINANCIAL STABILITY INTO FORWARD PLANNING. THE EXAMINATION HAS NOT YET BEEN COMPLETED. I DO NOT WISH TO ANTICIPATE THAT DECISION. I WOULD LIKE TO ASSURE YOU, HOWEVER, THAT SHOULD ANY OF THE MEASURES MADE NECESSARY BY THAT DECISION AFFECT OUR JOINT DEFENSE EFFORTS, WE SHALL, OF COURSE, CONSULT WITH YOU TO SEE HOW THEIR EFFECTS CAN BE MINIMIZED. UNQUOTE

2. IN RESPONSE THE U.S. CHAIRMAN ANDY BORG STATED:

QUOTE WITH REFERENCE TO YOUR COMMENTS CONCERNING THE POSSIBLE IMPACT OF INFLATION COSTS ON THE CANADIAN DEFENSE EFFORT AND ON OUR MUTUAL COMMITMENTS, THE UNITED STATES WELCOMES YOUR EXPRESSION OF WILLINGNESS TO INFORM AND CONSULT WITH US ON THIS ISSUE. IT WILL BE NO SURPRISE TO OUR CANADIAN COLLEAGUES ON THE BOARD THAT ANY DEFENSE REDUCTIONS ON THE PART OF OUR NATO ALLIES ARE OF GREAT CONCERN TO THE UNITED STATES, NOT ONLY BECAUSE OF THEIR DIRECT EFFECTS ON COLLECTIVE SECURITY CAPACILITIES BUT BECAUSE OF THEIR POLITICAL IMPLICATIONS FOR ARMS REDUCTION NEGOTIATIONS WITH THE SOVIET BLOC AND FOR OUR OWN EFFORTS TO RESIST PUBLIC AND CONGRESSIONAL PRESSURES TO REDUCE OUR FORCES IN EUROPE. CONSEQUENTLY, WE ARE DEEPLY INTERESTED IN CANADIAN DEFENSE PLANNING AND WILL STAND READY FOR POSSIBLE CONSULTATIONS, INCLUDING THE USE OF THE PJBD, IN ADVANCE OF PUBLIC ANNOUNCEMENT OF ANY DECISIONS TOUCHING ON OUR MUTUAL OBLIGATIONS BOTH IN NORTH AMERICA AND IN THE LARGER CONTEXT OF NATO. UNQUOTE

3. ABOVE IS PASSED FOR EMBASSY'S INFORMATION AND APPROPRIATE USE IN ANY FURTHER DISCUSSION WITH CANADIAN OFFICIALS REGARDING PENDING GOC DECISION. INGERSOLL

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